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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

DA 98-1336

COMMENT ON

Administration of Federal Universal Service Support Mechanisms
CC Docket Numbers 97-21 and 96-45

COMMENTS OF

Commonwealth of Virginia
Office of the Governor

Expressing the collective views of the Secretary of Technology, Secretary of Education, Department of Information Technology, Council on Information Management, Department of Health, Department of Education, and the Library of Virginia.

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August 5, 1998

The Commonwealth of Virginia (COV) hereby expresses its comments on the Proposed Plan of Reorganization, the RHCC Statement, and other issues regarding the administration of the federal universal service support mechanisms.

Submitted by:

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August 5, 1998

The Commonwealth of Virginia has observed the expanded universal service fund program over the last fifteen months as a consumer, a provider, a partner and fiduciary steward of public funds. With four area codes, six associated latas, 19 incumbent local exchange carriers, and 51 approved competitive local exchange carriers, Virginia is home to major international carriers, Internet access providers and electronic commerce centers. The state enjoys a reputation for clean government, unemployment of 3%, an average income of \$22,500 per capita, and a AAA Bond rating.

Some of the world's most advanced technology is based within Virginia's borders along with some of the nation's most technologically deprived counties, a microcosm of the nation. Of 135 cities and counties, 73 qualified as rural under the Rural Health Care Corporation (RHCC) rules. The Schools and Libraries Corporation (SLC) considered 71 divisions as rural, with statewide discounts ranging 35-86%. Some of these counties are burdened with the added complications of multiple latas and local telephone companies, as well as long distance charges for calls within their border.

Administration

Our public schools and libraries invested enormous energy and time to understand and apply for these discounts, tracking five FCC Orders on Reconsideration and the forms with instructions of three corporations whose authority is routinely debated. Applicants' enthusiasm has wilted with the onset of our summer humidity, no applications approved, and not one discount dollar granted. The inconsistent advice, website failures, numerous forms, and jammed telephone lines, have led to regular comparisons with the reputation of the Internal Revenue Service. The health care providers, barely introduced to the concepts of the program, still have no discount model (as of August 4, 1998) because no urban rate has been posted for Virginia. We recommend the comment period be extended until this significant milestone is achieved and widely disseminated. We also request the 28 day posting period be abolished as an unnecessary delay.

Schools, libraries, and health care providers are sufficiently challenged to keep pace with rapidly developing technology and its latest applications in their fields. Adding another complex layer of a bureaucratic, "smoke and mirrors" discount program is not only wasteful, but also insulting to the average citizen/consumer who is funding it. It is time to do it better or not at all.

A "one-size-fits-all" program is not the answer, unless unrestricted vouchers are delegated to states. The necessary commitment from the communications industry will only be obtained if the program can be understood and applied in a rational manner. Technology providers must see the program as an attractive way to expand technology in new markets without sacrifice to their bottom line. This program should not be viewed as a federally mandated community service, but a sound business practice to reach a common goal.

Contracts made by state telecommunications agencies should be embraced not excluded from the program. Aggregation and bulk purchasing for decentralized operations should be used as a model, not as an exception. New provisions should be made to embrace a variety of multi-state and other new partnerships that offer eligible entities more choices. These competitively based arrangements are cornerstone to the selection of service providers in today's environment and also eliminate the need for a 28-day posting period. Moreover, cost savings occur when the public procurement process is not repeated in each of the 135 cities and counties in Virginia.

The current process also appears to have the unintended consequence of raising prices and interfering with competition. It interferes with sound contract administration where the purchasing entity no longer adheres to the terms of the contract where discounts are granted. Ultimately, complex billing systems must be modified by providers and users in order to implement the discounts. These changes cannot occur rapidly with constantly changing rules and policies.

State networks should be allowed to receive direct reimbursement, including administrative charges, as approved by existing state oversight agencies. We also recommend that any master contract for eligible services, awarded under state procurement law, be automatically approved for the usf program for schools,

libraries, and rural health providers. Use of these contracts are voluntary in Virginia for local governments, free to secure independent arrangements provided they comply with the procurement law.

At the heart of good strategic planning is resource sharing across seamless, integrated network configurations, beginning at the grass roots. While the rhetoric and policy have supported these concepts, differing rules, constant revisions, differing deadlines, and state contract exclusions have virtually prohibited any cohesive efforts across the potential applicants.

Appeal Process

The appeals process used for procurement in the states could eliminate the need for another federal level remedy. Additionally, the informal assistance of our executive branch or public utility commission could be utilized by the FCC, as needed. Many problematic situations could be sorted out quickly by knowledgeable individuals with a strong commitment to service delivery. We would also recommend that any appeal process be provided clearly in writing to any rejected applicant.

Divestiture

We oppose the plan to make yet another management overhaul within a year by divesting the Universal Service Administrative Company (USAC) from the National Exchange Carrier Association (NECA). With FCC oversight, authority, and responsibility, allow the new structure to be accountable to the Commission. If necessary, incorporate portions within the FCC bureau, rather than create another independent organization.

FCC Oversight

Any telecommunication provider who pays into the fund should be required to offer the discounts. Where an application was approved and funds subsequently disbursed erroneously, prosecute with the maximum penalty available under law.

Compensation

On the issue of staff salaries, we trust the appointing authority to use sound judgment based on the structure of the new organizations. While a solution cannot be purchased for these complex issues by hiring individuals, the public scrutiny, media coverage, and congressional oversight will provide sufficient measure of reason with the cap of \$151,800.